A Special Operating Agency of Manitoba Energy, Science and Technology

Industrial Technology Centre

2004 Annual Report

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July 2, 2004

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2004.

Respectfully submitted,

Tim Sale

104-07767/

July 2, 2004

Honourable Tim Sale
Minister Responsible for the
Industrial Technology Centre
Room 333 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Sale:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2004.

ITC has continued to provide a wide range of cost-effective services, supporting technology-based economic development in Manitoba, primarily in the manufacturing sector. Client feedback indicates that ITC is well respected and acknowledged as an excellent service provider.

ITC management undertook a detailed evaluation of ITC's services and their role within Manitoba's Innovation Framework. This resulted in the development of a strategic plan recommending that ITC reposition its services to support an "Advanced Manufacturing Initiative (AMI)". The AMI is currently being developed by the Province, and is aimed at strengthening the competitiveness of manufacturers by improving their productivity.

I would like to thank our Advisory Board for their continued contributions and commitment, and all staff for their hard work and dedication that make ITC so successful.

Respectfully submitted,

John Clarkson
DEPUTY MINISTER AND CHAIRPERSON
OF THE INDUSTRIAL TECHNOLOGY CENTRE
ADVISORY BOARD

Message from the Chief Operating Officer

July 2, 2004

On behalf of staff, I am very pleased to report on the achievements of the Industrial Technology Centre (ITC) for the year ended March 31, 2004.

ITC's fiscal performance continues to be sound, and, despite a modest operating deficit, our financial position is strong. We continue to broaden our client base and look for opportunities to expand our range of technical services. An independent survey highlighted the significant impact that our services have on clients, thereby confirming that ITC is fulfilling its economic development role.

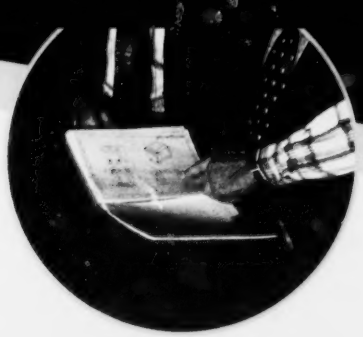
Client satisfaction levels are very high, demonstrating ITC's commitment to provide high-quality, cost-effective services. The successful completion of a recent audit confirmed ITC's compliance to the updated ISO 9001:2000 standard.

ITC has demonstrated the use of visualization technologies to a broad range of sectors, and is now focusing additional efforts on applying advanced manufacturing technologies to help improve the productivity of Manitoba's manufacturing sector.

Our success is due to the strong partnerships with all customers and stakeholders, the commitment of our Advisory Board, and the continued hard work of all staff. As ITC enters its 25th year, I would like to thank you all for making ITC an exceptional organization.

T. J. Cornell

Trevor Cornell
CHIEF OPERATING OFFICER



Background 1.1

Technical Information and Advisory Services

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) of the Province of Manitoba on April 1, 1996. ITC now operates under the authority of Manitoba Energy, Science and Technology (ES&T).

The Deputy Minister of ES&T chairs ITC's Advisory Board, which includes private sector representatives. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices and financial reporting requirements.

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies. ITC services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with ES&T to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations.

ITC's services are categorized as:

- Technical Information and Advisory Services
- Engineering
- Document Examination Services (DES)
- Virtual Reality Centre (VRC)

The economic development contribution from the Province is used to support technical information and advice, library services, and infrastructure for testing, product development, and the Virtual Reality Centre. These services support SMEs (small and medium-sized enterprises) that have limited R&D resources.

Vision, Mission and Goals 1.2

ITC's vision is

" To be recognized as the best resource for solving technical issues for the benefit of Manitoba."

ITC's mission is

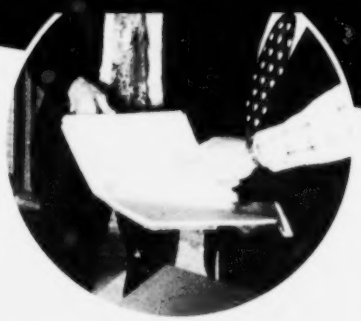
" As a team and in partnership with our customers, we are committed to provide creative, technical solutions for the economic development of Manitoba."

ITC's goals, essential to fulfillment of its mission, are as follows:

- To help our clients anticipate, identify and apply appropriate technologies
- To support and contribute to economic development in Manitoba
- To sustain and enhance client relationships by providing high-quality, valued technical services
- To achieve long-term economic viability
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

" The ITC Library is a definite asset and convenient to use; excellent reference collection for manufacturers."

Client survey response



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Client survey response

"As kitchen manufacturers we are always looking to make sure new and existing products are as strong and durable as they can be. Daniel's environmental tests provided very valuable information before going to market."

Mike Gordon
KITCHEN CRAFT

Service Lines

Technical Information and Advisory Services

ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry, entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical issues, to develop methods of solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance that may not be available in Manitoba.

ITC has a technical library that provides crucial information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. A range of industrial directories, guides and catalogues assist clients in sourcing components, equipment and services. ITC also has access to many worldwide databases, and has a public Internet access terminal for clients to source technical data.

ITC continues to develop its "Excellence in Manufacturing" Information Centre, which provides an enhanced library collection in current and new manufacturing technologies and philosophies. ITC also publishes a biweekly manufacturing newsletter and a monthly technology update.

Customers include inventors, entrepreneurs, and companies in most manufacturing sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.

Engineering

Mechanical Testing

Mechanical Testing services are categorized as either Standard or Custom, defined as:

Standard Testing: Those tests that may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

Custom Testing: Testing for which there may be no defined standard. ITC staff will help the client determine what properties or parameters are to be tested, and will identify or develop appropriate procedures to meet testing requirements. Examples include:

- Testing products or materials when no industry standard exists
- Testing components in their service environment

Dimensional Calibration

ITC is the only facility in Western Canada to offer accredited dimensional calibration services. The Calibration Laboratory Assessment Service (CLAS), jointly administered by the SCC and the National Research Council (NRC), has accredited and certified our calibration laboratory's technical capabilities and quality program.

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, snap gauges, length and height standards, and dial gauges, as well as pressure gauges up to 10,000 psi.

Service Lines 1.3

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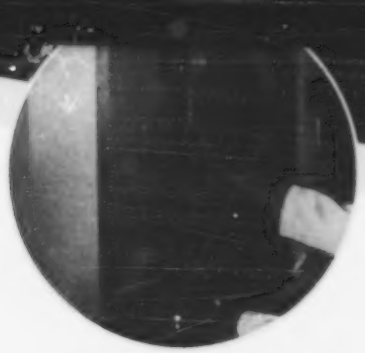


Dimensional Inspection

ITC's inspection capabilities include a Numerex coordinate measurement machine (CMM) and a FaroArm portable multi-axis measurement arm. Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part-to-part comparisons.

Machine/Product Design

ITC's computer technology (SGI 320 hardware, and advanced modelling and analytical software) allows us to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis, and modelling of parts to predict their performance. Prototypes are manufactured at ITC, or if required, in cooperation with local machine shops.

Custom Data Acquisition

ITC provides solutions to automate data collection and control processes using National Instruments hardware and LabView software.

Noise Measurement and Control

ITC can identify and analyze excessive noise problems in the workplace and develop noise control solutions. We also perform building acoustic studies, and environmental assessments of noise levels using SoundPLAN noise modelling software.

Vibration Measurement and Control

We help determine the causes of excessive vibration in equipment and structures and identify remediation measures. This service is valuable for product testing, equipment balancing, acceptance testing for compliance to vibration tolerance limits, and measurement and analysis of vibration from hand tools and other devices.

Custom Engineering

ITC assembles teams to troubleshoot processes and equipment, carry out complex engineering projects, design and fabricate custom testing equipment, or develop other innovative technical solutions.

The market for Engineering services is primarily manufacturing companies in Manitoba. SCC and CLAS accreditations, ISO 9001 registration, and rapid turnaround times are distinct competitive advantages.

Document Examination Services (DES)

Document Examination Services provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

Services are provided to lottery jurisdictions in Canada, the U.S. and overseas. ITC is the sole commercial Canadian laboratory providing these services.

Virtual Reality Centre (VRC)

The Virtual Reality Centre is a state-of-the-art facility that uses virtual modelling technology to facilitate improved:

- Product design and development, process re-engineering, urban planning, and architectural design
- Product marketing
- Development of software for specific engineering applications

The VRC is the only one of its kind in Canada that has been established to address industry needs on a fee for service basis. The Centre is designed to provide access to technologies that will enable companies to attain a competitive advantage in global markets.

"ITC helped us improve our product by analysis and testing; this reduced rejected parts and rework."

Client survey response

" The need for digitalization and signal processing has long been a priority to advance Fermion's novel technology. I am extremely satisfied and grateful for this major advance, and I look forward to a long-term association with ITC."

Frank S. LaBella Ph.D.
Chairman, Fermion Inc.
Professor, Faculty of Medicine, University of Manitoba

Sector Highlights

ITC made a significant impact in many different areas during FY 2003/2004. Some sample projects are highlighted below:

Aerospace

Calibration and vibration measurement support our clients' quality control systems, and contribute to improved design and safety.

- Performed modal analysis of a turbine blade.

Agribusiness

Material testing, inspection, and machine design services result in innovative products.

- Conducted finite element stress analysis of mechanical components of a zero-till seeding system for a rural manufacturer.
- Dimensional analyses of tractor hoods for a tractor parts manufacturer.

Building, Architecture and Construction

Noise and vibration analysis, and material testing, enable prevention and remediation of problems.

- Monitored an apartment basement floor for vibration and determined that a construction site nearby was causing the problem.
- Performed on-site proof load testing of crane support rods anchored into bedrock at a spillway reconstruction site to determine the anchors' integrity.

Energy

Data acquisition, calibration, machine design, and material testing support Manitoba Hydro's infrastructure.

- Developed a prototype of a conductor vibration recorder.
- Cantilevered force-to-failure tests on high voltage moulded resin switchgear.

Environment and Resources

Material testing, finite element analysis, and noise control services improve equipment used in the resource sector, and remediate noise problems.

- Measured traffic noise on PTH59 to determine the impact of a highway upgrade on a community.
- Performed finite element stress analysis of a drilling rig component for a local manufacturer.
- Conducted burst test on metal tubing that is used in mining.

Health

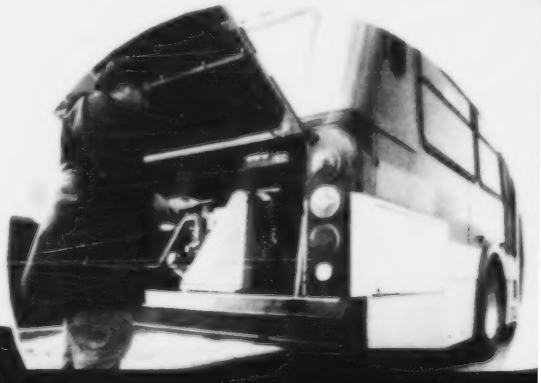
Product development services improve the design of equipment used in the health sector.

- Designed a test fixture to conduct impact testing on a product.

Manufacturing

All engineering services support clients' quality systems, improve products and processes, enhance productivity, and foster the adoption of advanced technology.

- Measured airflow on a prototype vehicle to determine the air handling system performance.



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Frank S. LaBella Ph.D.
CHAIRMAN, FERMION INC.
PROFESSOR, FACULTY OF MEDICINE, UNIVERSITY OF MANITOBA

Sector Highlights 2.1

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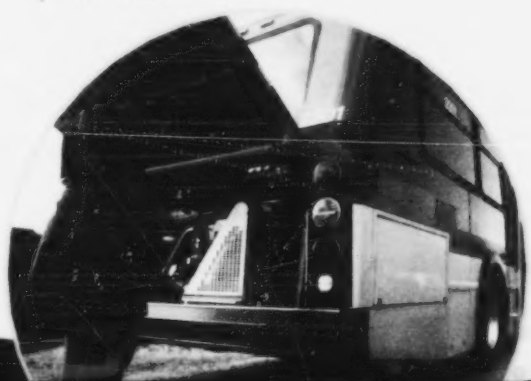


- Performed ultimate load testing (3,000 lb. – 9,000 lb.) on a hydraulic cylinder to address safety concerns.
- Assisted a client in the design of a new engine and gearbox.
- Helped a local manufacturer solve problems with components that make up a rotor/blower system.
- Improved the design of fan wheels produced by a client.
- Conducted on-site press load calibration for a critical manufacturing process.
- Utilized strain gauges and data acquisition to conduct fatigue testing of hydraulic loader mounting systems.

Printing

Dimensional inspection services contribute to process improvement.

- Helped a printing company solve a problem in cutting perforated paper.

Transportation

Custom data acquisition, dimensional calibration and inspection, material testing, and noise control services support clients' quality systems, evaluate components, and improve products and processes.

- Developed a hydraulic cylinder test frame for a local manufacturer.
- Conducted a comparative analysis of four brake drums from several suppliers for a local bus manufacturer.
- Performed noise analysis to assist a bus manufacturer in meeting U.S. noise regulations.
- Provided data acquisition during a road test braking event to assist in diagnosing a complex steering issue on a passenger vehicle.
- Acquired and analyzed dynamic displacement measurements of axle and steering components during road testing of a bus.

Wood Products

Dimensional inspection, material and product testing services support product improvement.

- Tested cabinet door mouldings in an environmental chamber to ensure they withstand high humidity.
- Tested various wood cabinet door joints to determine which was the strongest.

Partnerships in Research and Development

- Collaborated with other research centres and academic institutions in the application of advanced visualization technology.
- Provided a supporting role in linking industry, academia and government.

Training and Skill Development

- Explored the development of curriculum incorporating advanced technology with post-secondary institutions.
- Hosted student tours of ITC.
- Presented seminars, such as "Noise Control in Residential and Commercial Buildings".

Technology Awareness

- Distributed the biweekly "Advanced Manufacturing News" and monthly "Technology Watch" to over 700 individuals.
- Hosted conferences, such as the 3D Modelling and Visualization Conference, which featured world-renowned speakers.
- Demonstrated the application of advanced visualization technology to various public and private sectors including: Manufacturing, Transportation, Energy, Architecture, Resources, Health, and Biotechnology.

"We introduced new technologies; they helped us to define processes that have helped us to attract new business."

Client survey response

Results 2.2

ES&T supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using in-depth interviews with representative clients.

Performance Areas and Goals

Economic Development
To support and contribute to economic development in Manitoba

Customer
To sustain and enhance client relationships by providing high-quality, valued technical services

Internal Business Processes
To identify and apply appropriate technologies

Learning and Growth
To cultivate a work environment that promotes employee achievement, creativity, initiative and growth

Financial
To achieve long-term economic viability

"ITC has provided mechanical testing services to our company, which have had a considerable impact on our business. We sincerely appreciate ITC for the quality and timely service they provide."

Huawei Guo
HITACHI CANADIAN INDUSTRIES LTD.

Economic Development

ITC clients reported the following impacts in FY 2003/2004 :

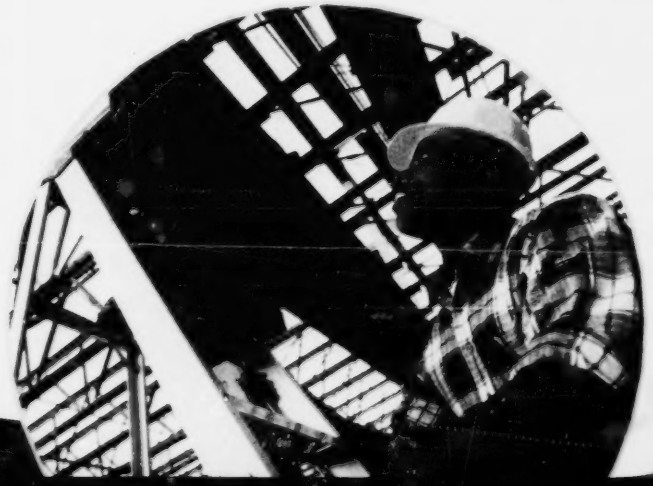
Impact of ITC Services

New Jobs Created	***19***
Jobs Saved/Maintained	***262***

The total of 281 jobs created or saved represents $10.0 million in wages based on an average annual manufacturing salary of $35,678 (July 2003, Manitoba Bureau of Statistics).

Sales Increase	***$2.0 million***
Cost Savings Identified	***$6.0 million***
Investment Increases	***$3.1 million***
Influence on client objectives	***91% of respondents reported that ITC had a positive impact on their organization.***

These results are compiled from the responses of 71 clients. No attempt has been made to extrapolate the impacts for ITC's entire project client base (approximately 270 clients).



Customer

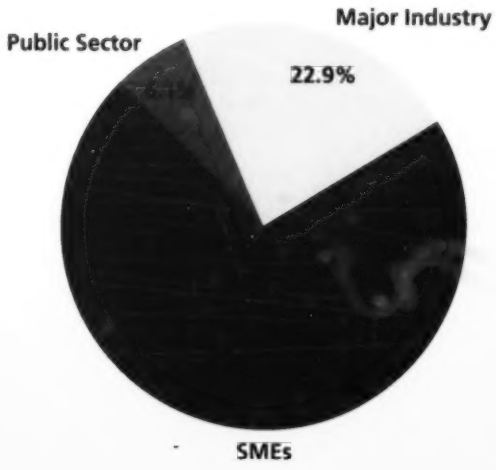
ITC has implemented a system for capturing specific client satisfaction and other information. During March 2004, 34 clients were contacted with the following results:

- 100.0% were satisfied with project deliverables.
- 93.3% responded that results were presented clearly.
- 87.1% were satisfied with the response time.
- 93.5% were satisfied with the cost of the service.

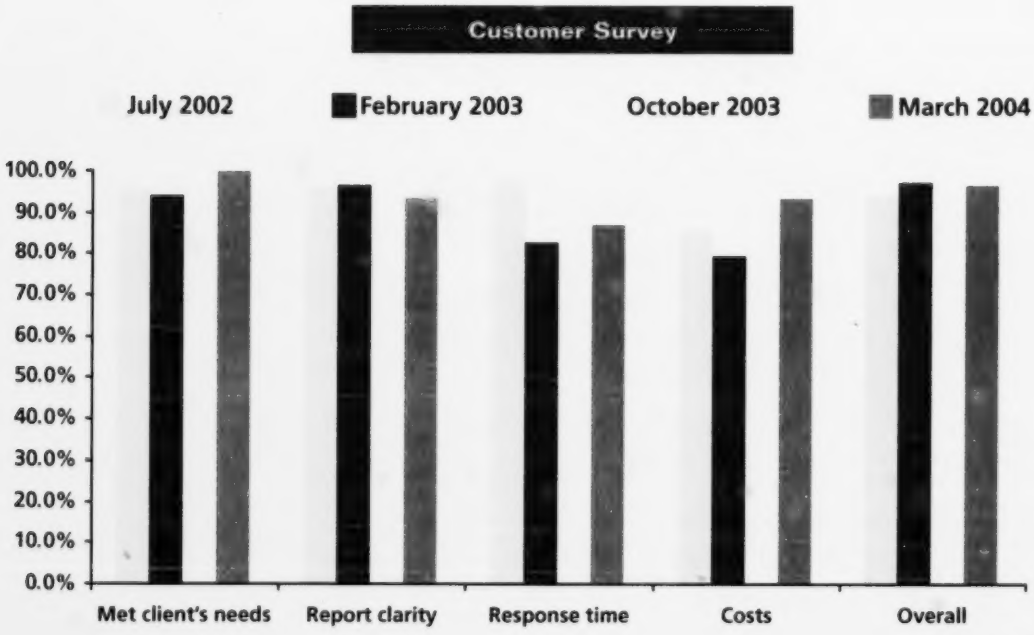
Overall, 96.8% of clients reported that they were satisfied with the service, and would use ITC again. The above results demonstrate that ITC continues to provide excellent customer service.

These results, as compared to previous surveys, are presented as follows:

ITC's customer base consists of the following:



SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.



"ITC came up with a highly effective method of measuring the moisture level of the seedlings. We plan to incorporate this new tool into our entire growing program over the next few years."

Trevor Stanley
PINELAND FOREST NURSERY

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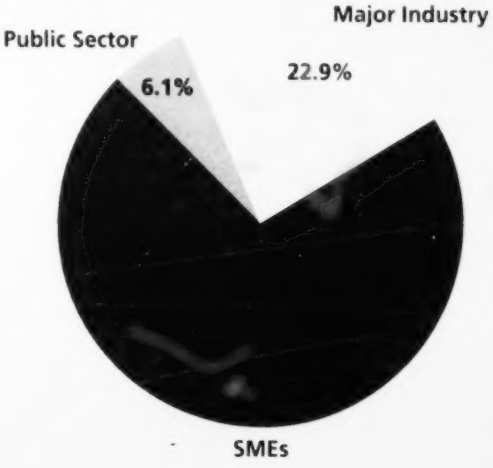
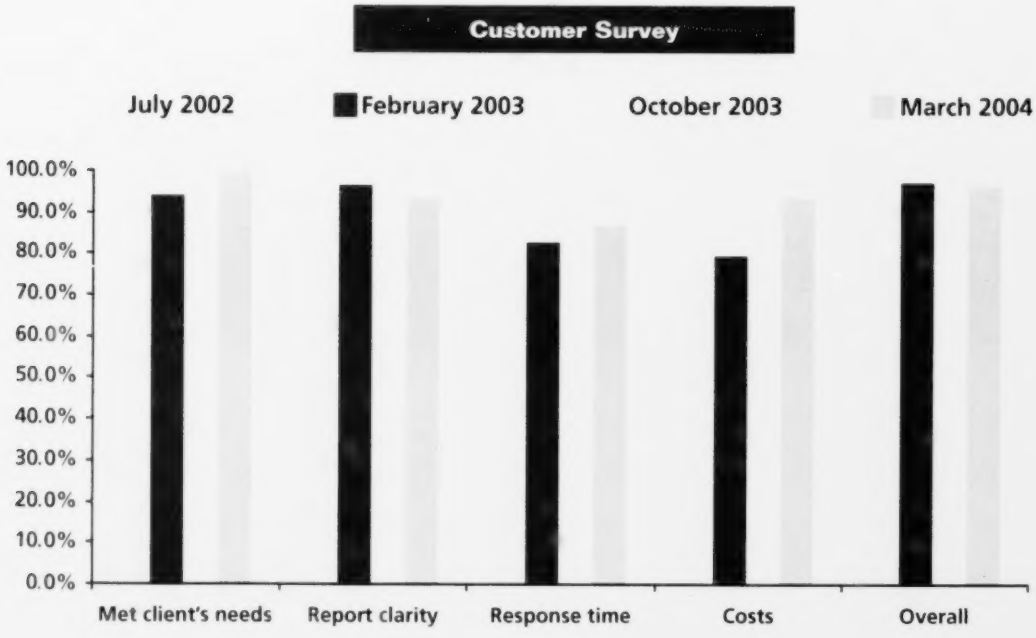


SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.



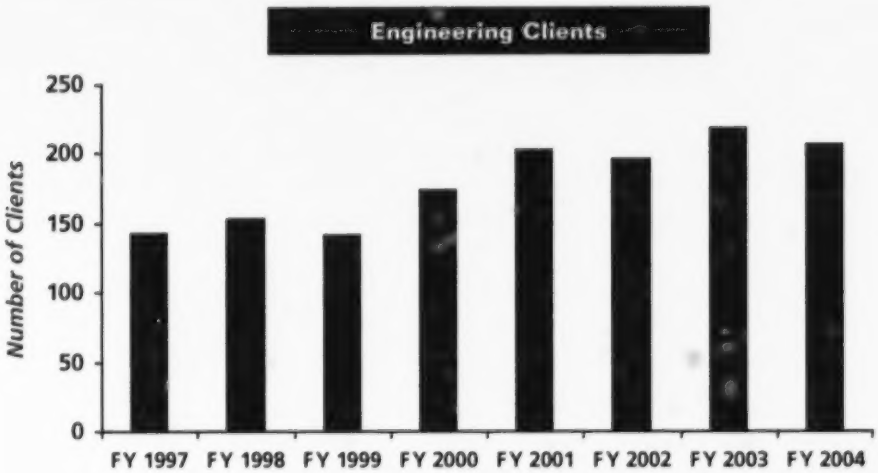
"ITC came up with a highly effective method of measuring the moisture level of the seedlings. We plan to incorporate this new tool into our entire growing program over the next few years."

Trevor Stanley
PINELAND FOREST NURSERY

" We were impressed by the level of professionalism exhibited by Dale throughout the course of this project. The data acquisition system was delivered in a timely fashion and addressed our needs and objectives. We would not hesitate to welcome the opportunity to work again with Dale on future projects."

Bruno Marinelli
MANITOBA TRANSPORTATION AND GOVERNMENT SERVICES

The client reach for Engineering services has increased since inception as an SOA, as indicated by the following chart:



Internal Business Processes

ITC continues to maintain ISO 9001 registration, with the following quality policy:

" The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."

ITC management has developed a strategic plan in support of the Province's "Innovation Framework". This plan anticipates that ITC will play a key role in the implementation and success of the Province's "Advanced Manufacturing Initiative (AMI)" – the AMI has been developed by Energy, Science and Technology, in cooperation with Industry, Economic Development and Mines, and is aimed at improving the productivity of manufacturers.

ITC maintains Standards Council of Canada (SCC) accreditation in the materials testing laboratory, and Calibration Laboratory Assessment Service (CLAS) accreditation for the calibration laboratory.

ITC underwent a successful external audit of its ISO quality system. The purpose of this audit was to maintain ISO registration and confirm compliance with updated ISO 9001:2000 standards.

Learning and Growth

ITC's Work Environment Committee (WEC) continues to collect input from all staff to identify opportunities for improvement in ITC operations. Staff surveys show a positive work environment with good communication and high morale.

ITC continues its employee recognition system, with a "Team Spirit Award" for staff working together to deliver outstanding service.

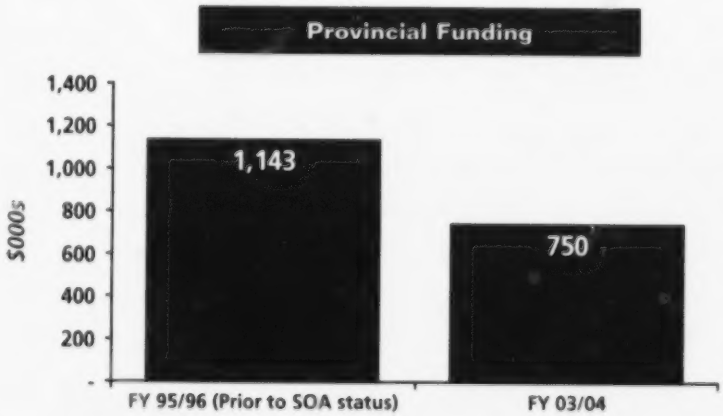
ITC is piloting a competency-based system to develop position profiles, using the management team as a test group. This method identifies the characteristics that underlie performance or behaviour at work. It is anticipated that this approach will facilitate training and development, recruitment and selection, and performance management.

Financial ($000s)

ITC has now completed its eighth year of operation as an SOA, and has met its financial challenges, resulting in a modest deficit. ITC has focused efforts on expanding client reach and reducing expenditures.

	Current Year	Budget	Variance to Budget	Last Year	Variance to Last Year
Province of Manitoba	750	750	-	750	-
Fee for service	1,331	1,535	(204)	1,780	(449)
Other	51	5	46	18	33
Total revenue	2,132	2,290	(158)	2,548	(416)
Salaries and benefits	1,348	1,428	(80)	1,712	(364)
Other operating expenses	795	862	(67)	831	(36)
Total expense	2,143	2,290	(147)	2,543	(400)
Net income (loss)	**(11)**	**-**	**(11)**	**5**	**(16)**

In its eight years of operation as an SOA, ITC has achieved a 34% reduction in Provincial Funding

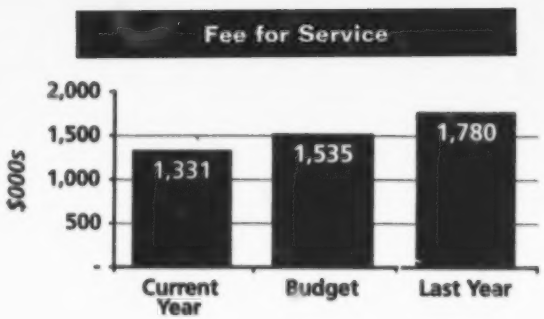


" Improved production techniques; decreased cycle times; better material selection."

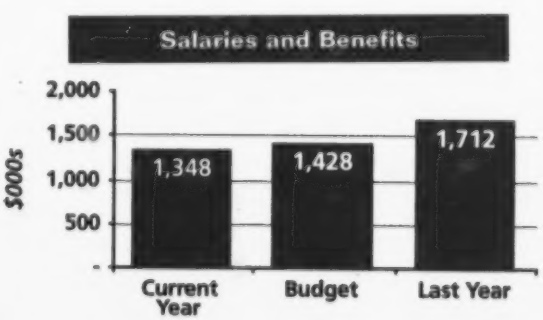
Client survey response

"Many thanks to you and the Industrial Technology Centre for arranging tours of your facility for our Mechanical Engineering and Manufacturing Engineering students. Students obtained an appreciation of the role that virtual reality can play in manufacturing industries."

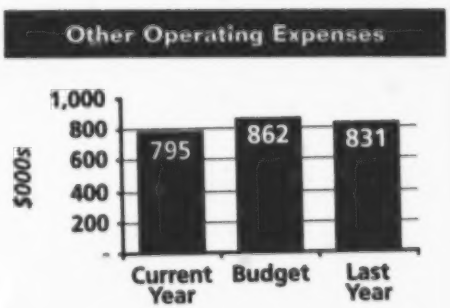
S. Balakrishnan
PROFESSOR AND HEAD,
MECHANICAL AND
MANUFACTURING ENGINEERING,
UNIVERSITY OF MANITOBA



Fee for service revenue has decreased as compared to last year, primarily due to the fact that ITC is no longer delivering the National Research Council's (NRC's) Industrial Research Assistance Program (IRAP). The variance against budget results primarily from IRAP and the VRC.



The changes in salaries and benefits arise primarily from the cessation of the IRAP program.



The decrease in other operating expenses arises primarily from efforts in cost reduction and cessation of the IRAP program, offset by an increase in business development efforts.

The results given in this annual report for FY 2003/2004 indicate that ITC has continued to demonstrate sound management, and has achieved recognition for the value and impact of its economic development activities. With the continued support of all stakeholders, ITC will meet the challenges resulting from an ever-changing business environment.

May 28, 2004

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 28, 2004.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

Trevor Cornell
CHIEF OPERATING OFFICER

David Olafson
MANAGER, CORPORATE SERVICES

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Industrial Technology Centre as at March 31, 2004 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and other significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
WINNIPEG, MANITOBA
MAY 28, 2004

As at March 31, 2004

Balance Sheet

IN THOUSANDS

	2004	2003
ASSETS		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (note 3)	$ 847	$ 762
Accounts receivable	234	126
Prepaid expenses	17	25
	1,098	913
Due from Province of Manitoba (note 5)	103	103
Capital assets (notes 2 and 4)	522	672
	$ 1,723	$ 1,688
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 289	$ 259
Severance liability (note 5)	176	160
	465	419
EQUITY		
Contributed equity (note 6)	62	62
Retained earnings	1,196	1,207
	1,258	1,269
	$ 1,723	$ 1,688

The accompanying notes are an integral part of these financial statements.

Statement of Earnings and Retained Earnings

IN THOUSANDS

	2004	2003
REVENUE		
Province of Manitoba	$ 750	$ 750
Fee for service	1,331	1,780
Other	51	18
	2,132	2,548
OPERATING EXPENSES		
Advertising and promotion	95	33
Amortization	166	188
Audit and legal	5	5
Bad debts	7	1
Building maintenance	42	54
Computer	12	7
Equipment	39	24
Fees and memberships	18	26
Heat and utilities	33	36
Insurance	52	50
Library operations	24	32
Loss on disposal	–	5
Office	52	62
Professional development	3	23
Project supplies and subcontract	96	99
Purchased services	5	26
Rent and property tax	121	114
Salaries and benefits	1,348	1,712
Travel	25	46
	2,143	2,543
Net earnings (loss)	(11)	5
Retained earnings at beginning of period	1,207	1,202
Retained earnings at end of period	$ 1,196	$ 1,207

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow

IN THOUSANDS

	2004	2003
Cash derived from (applied to):		
OPERATING ACTIVITIES		
Net earnings (loss)	$ (11)	$ 5
Items not involving cash		
Amortization	166	188
Loss on disposal	-	5
	155	198
Changes in non-cash working capital balances		
Accounts receivable	(108)	271
Prepaid expenses	8	1
Accounts payable and accrued liabilities	30	(260)
Severance liability	16	11
	101	221
INVESTING ACTIVITIES		
Acquisition of capital assets	(16)	(17)
Net increase (decrease) in cash and cash equivalents	85	204
Cash and cash equivalents at beginning of period	762	558
Cash and cash equivalents at end of period	$ 847	$ 762
REPRESENTED BY:		
Cash and bank	$ 38	$ 52
Funds on deposit with the Minister of Finance	809	710
	$ 847	$ 762
Interest revenue included in cash flow from operating activities	$ 20	$ 14

The accompanying notes are an integral part of these financial statements.

1 Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Energy, Science and Technology under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations and has access to a working capital loan. The financial framework allows the Agency to operate in a businesslike manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Energy, Science and Technology assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Energy, Science and Technology defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2 Significant Accounting Policies

Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line
Leasehold improvements	20%, straight-line

3 Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2004 working capital advances were nil (2003 – nil). The line bears interest at the prime rate and is not secured by specific assets.

4 Capital Assets

	2004		2003	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	$ 4	$ 2	$ 4	$ 2
Office and laboratory equipment	780	447	764	365
Computer equipment and software	414	256	416	184
Leasehold improvements	49	20	49	10
	$ 1,247	$ 725	$ 1,233	$ 561
Net book value	$ 522		$ 672	

5 Severance Pay Benefits

Effective April 1, 1998, ITC began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. The receivable from the Province, or portion thereof, for the Industrial Technology Centre, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Industrial Technology Centre.

An actuarial valuation report of ITC's severance as at March 31, 2000 has been completed. The report provides a formula to update the liability on an annual basis. ITC's liability has been calculated in accordance with this formula.

6 Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

7 Commitment

The Agency has entered into a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba. The lease, expiring on March 31, 2005, requires future lease payments as follows:

2005	$ 91

8 Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

9 Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, employees of ITC who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2004, are disclosed in the Special Operating Agency Financing Authority (SOAFA) annual report. This compensation information is also available in ITC's Library.

Staff as at March 31, 2004

Diane Chicheluk

Trevor Cornell, B.Sc. (Hons., M.E.), C.Eng., P.Eng.

Betty Dearth, B.A., M.I.L.S.

Sandra Fotty, B.A.

Danny Fredette, Journeyman Machinist

Daniel Godin, Dip. Mech. Eng. Tech., C.E.T.

Sandra Graff

Dale Kellington, B.Sc.

Brad Kempf

Dragomir Kojic, C.E.T.

Shawna Levesque, Clerical Bookkeeping Certificate

Stephen McKendry-Smith, Dip. Biological Tech.

David Olafson, B.Sc., B. Comm. (Hons.), C.G.A., C.C.P.

Jeongsoo Park, B.Sc., M.Sc., Ph.D. (M.E.), P.Eng.

Tim Peters

Gord Pizey, B.Sc. (M.E.), M.Sc, P.Eng.

Sharon Ratushniak

Tony Robak, Millwright, C.Tech.

David St. Jean, Management Studies Certificate

Myron Semegen, C.E.T.

Nigel Wooler, M.C.P.

Advisory Board

John Clarkson
(Chairperson)
Deputy Minister
Energy, Science and Technology
Room 349 Legislative Building
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Ken Carr
Executive Director
Manitoba Aerospace Association Inc.
51 Woodgreen Place
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Richard Krohn
Casegood Product Development
Palliser Furniture Limited
70 Lexington Park
Winnipeg, Manitoba R2G 4H8

Al MacAtavish
Manitoba Hydro (retired)
P.O. Box 127J, RR5
Winnipeg, Manitoba R2C 2Z2

Paul Soubry L.L.D. (Man.)
President, Soubry Enterprises Ltd.
63 Ridgedale Crescent
Winnipeg, Manitoba R3R 0B2

Ed Van Humbeck
Chairman of the Board
Vansco Electronics Ltd.
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Trevor Cornell
Chief Operating Officer
Industrial Technology Centre
Unit 12-1329 Niakwa Road East
Winnipeg, Manitoba R2J 3T4

Stephen McKendry-Smith
Staff Representative
Industrial Technology Centre
Unit 12-1329 Niakwa Road East
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www.itc.mb.ca

A Special Operating Agency of Manitoba Energy, Science and Technology

Industrial Technology Centre

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Winnipeg, Manitoba • R2J 3T4

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